

**5/11/77 [1]**

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VIA TELETYPE HAS BEEN

THE VICE PRESIDENT  
WASHINGTON

1

May 11, 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: THE VICE PRESIDENT *[Signature]*  
SUBJECT: WATER PROJECTS FUNDING -- 1978 PUBLIC  
WORKS APPROPRIATIONS BILL

I have spoken with the Speaker and Senators Byrd and Stennis to inform them, on a confidential basis, that you cannot make any further concessions on the funding of the eighteen water projects recommended for deletion from the FY 1978 budget. I indicated that if these projects are included in the Public Works Appropriations Bill, you will veto the bill.

**Electrostatic Copy Made  
for Preservation Purposes**

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE  
WASHINGTON

May 11, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

The Speaker called Congressman George Mahon today and told him of the Vice President's message that you would veto any bill that had excessive water projects in it. The Speaker also called Congressman Tom Bevill in my presence and told Bevill to get with Mahon and work it out. The Speaker said that he was damned if he was going to send a bill down here from a Democratic Congress that the Democratic President would have to veto. I am to meet with Senator Stennis tomorrow on the same subject.

Attached are letters for the full Appropriations Committee. I would suggest you sign and P.S. Mahon and Bevill. Susan can arrange for the signing of the others.

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

May 11, 1977

Bob Lipshutz -

The attached was returned in the  
President's outbox.

Please send a copy to Admiral  
Turner.

Rick Hutcheson

Re: Legal Opinion from the Attorney  
General Relative to "CIA  
Proprietaries

☐ MONDALE  
☐ COSTANZA  
☐ EIZENSTAT  
☒ JORDAN  
☐ LIPSHUTZ  
☐ MOORE  
☐ POWELL  
☐ WATSON

☐ ENROLLED BILL  
☐ AGENCY REPORT  
☐ CAB DECISION  
☐ EXECUTIVE ORDER  
 Comments due to  
 Carp/Huron within  
 48 hours; due to  
 Staff Secretary  
 next day

☐ FOR STAFFING  
☐ FOR INFORMATION  
☒ FROM PRESIDENT'S OUTBOX  
☐ LOG IN/TO PRESIDENT TODAY  
☐ IMMEDIATE TURNAROUND

☐ ARAGON  
☐ BOURNE  
☐ BRZEZINSKI  
☐ BUTLER  
☐ CARP  
☐ H. CARTER  
☐ CLOUGH  
☐ FALLOWS  
☐ FIRST LADY  
☐ GAMMILL  
☐ HARDEN  
☐ HOYT  
☐ HUTCHESON  
☐ JAGODA  
☐ KING

☐ KRAFT  
☐ LANCE  
☐ LINDER  
☐ MITCHELL  
☐ POSTON  
☐ PRESS  
☐ B. RAINWATER  
☐ SCHLESINGER  
☐ SCHNEIDERS  
☐ SCHULTZE  
☐ SIEGEL  
☐ SMITH  
☐ STRAUSS  
☐ WELLS  
☐ VORDE

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 2, 1977

MEMORANDUM FOR: THE PRESIDENT *of*  
FROM: ROBERT LIPSHUTZ AND MARGARET MCKENNA *mk*  
SUBJECT: Your Request for a Legal Opinion from  
the Attorney General Relative to "CIA  
Proprietaries"

The Attorney General concludes that CIA proprietaries are lawful. The statute concerning government corporations is deemed inapplicable to the CIA because:

1. The prohibition refers only to a "wholly owned government corporation," which is a phrase defined in the U.S. Code by listing specific government corporations, none of which is a CIA proprietary.
2. The U.S. Code also provides that CIA appropriations may be expended to carry out its functions "notwithstanding any other provision of law."
3. Congress has appropriated funds for the CIA with full knowledge that they are used in part to establish proprietaries, thereby ratifying their creation.

Additionally, the Rockefeller Commission and the Senate Intelligence Committee both viewed CIA proprietaries as legal.

As to the funds of these proprietaries, the Attorney General concludes that the way they presently are handled is proper; that is, revenues generated by the proprietary may be used to fund its operational expenses, but any net profits must be paid into the Treasury under the "Miscellaneous Receipts" account. The Senate Select Committee to Study Governmental Operations with respect to Intelligence Activities shares this conclusion. The only complaint by the Select Committee was in the procedure for budgetary review of proprietaries and the information furnished to congressional committees, but OMB has since corrected these deficiencies.

Do you want a copy of the Attorney General's opinion sent to Admiral Turner Yes and/or Senator Inouye No ?

C

THE WHITE HOUSE

WASHINGTON

April 28, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ *RL*

SUBJECT: Your Request for a Legal Opinion  
from the Attorney General Relative  
to "CIA Proprietaries"

With reference to the above matter, I am attaching a memorandum prepared for you by Attorney General Bell.

Please advise if you wish me to take any action concerning the matter or to send a copy of the opinion to Admiral Turner and/or Senator Inouye.

Attachment



Office of the Attorney General  
Washington, D. C. 20530

APR 18 1977

MEMORANDUM FOR THE PRESIDENT

Re: CIA Proprietaries

This is in response to your request for my opinion regarding the lawfulness of CIA proprietaries and the proper manner in which their funds should be handled.

Section 869 of title 31, United States Code, states in pertinent part:

(a) No corporation shall be created, organized, or acquired on or after December 6, 1945, by any officer or agency of the Federal Government or by any government corporation for the purpose of acting as an agency or instrumentality of the United States, except by Act of Congress or pursuant to an Act of Congress specifically authorizing such action.

(b) No wholly owned Government corporation created by or under the laws of any State, Territory, or possession of the United States or any political subdivision thereof, or under the laws of the District of Columbia, shall continue after June 30, 1948, and no funds of, or obtained from, the United States shall be invested in or employed by any such corporation after that date . . . .

This Office has taken the broad position, in response to a request by the Pike Committee to OMB for an opinion on the legality of CIA proprietaries under this law, that no CIA proprietary is "created, organized, or acquired for the purpose of acting as an agency or instrumentality of the United States" within the intent of Subsection (a); and that the limitation on the use of funds in Subsection (b) does not apply to CIA in any case, since 50 U.S.C. § 403j provides that CIA expenditures are authorized for purposes necessary to carry out its functions "notwithstanding any other provisions of law." I am informed that GAO rendered an opinion to the Pike Committee concluding that CIA proprietaries were in violation of 31 U.S.C. § 869, but I have never seen that opinion.



Considerations which suggest the inapplicability of 31 U.S.C. § 869 to CIA proprietaries include: (1) The prohibition in subsection (b) refers only to a "wholly owned government corporation," which is a defined term, see 31 U.S.C. § 846, including only a specific list of government corporations, none of which is a CIA proprietary; (2) 50 U.S.C. § 403j(b) provides that:

The sums made available to the Agency may be expended without regard to the provisions of law and regulations relating to the expenditure of government funds; and for objects of a confidential, extraordinary, or emergency nature, such expenditures to be accounted for solely on the certificate of the Director . . . .

This provision has been interpreted to overcome the restrictions of the Government Corporations Control Act, 31 U.S.C. 841 et seq., see S. Rep. No. 94-755, 94th Cong., 2d Sess. 234 (1976). (3) Congress by appropriating funds for the CIA with the full knowledge from official public documents that part of such funds are being used for proprietaries has authorized or ratified the action of CIA in creating proprietaries, cf., Brooks v. Dewar, 313 U.S. 354 (1941). While I would normally be loath to use the Brooks theory of ratification by appropriation in the intelligence field, where Congress has not been fully apprised of the activities supposedly ratified, the existence of CIA proprietaries, at least in recent years, has been formally and publicly acknowledged, see Rockefeller Commission Report 215-220 (1975); S. Rep. No. 94-755, 94th Cong., 2d Sess. 205-256 (1976). I might add that both the Rockefeller Commission and the Senate Intelligence Committee viewed the CIA operation of proprietaries as legal.

There is no other provision of law which would make unlawful the creation of CIA proprietaries.

As to the manner in which the funds of proprietaries should be handled, this matter has been extensively explored by the Senate Select Committee to Study Governmental Operations with respect to Intelligence Activities (The Select Committee). See S. Rep. No. 94-755, Book I, 94th Cong., 2d Sess. 205-256, 456-459 (1976). The Committee's conclusion was that the current operating practice of CIA with respect to proprietaries was lawful and proper. Specifically, revenues generated by proprietaries may be used to fund the operational expenses of the proprietaries on the reasoning that although proprietaries are not technically government corporations under the Government Corporations Control Act, such entities should to the extent possible be treated as government corporations. However, net profits, according to a 1975 opinion by the General Counsel at CIA, must be paid over to the Department of the Treasury under the account entitled "Miscellaneous Receipts."

The Select Committee was not totally satisfied with the budgetary review of proprietaries nor with the information furnished to congressional committees at that time. We are informed by OMB, however, that since the Committee's recommendation, OMB now reviews budgets for proprietaries and applicable committees of Congress are informed about the proprietaries in much the same way they are informed of other covert operations.

In addition, the Committee's report reviewed in great detail the operations of CIA's insurance complex. While certain minor criticisms were made, it was given an overall clean bill-of-health. I concur with the conclusions of the CIA's General Counsel and the Select Committee that the manner in which proprietaries funds are handled as described above is both lawful and proper.

*Griffin B. Bell*

Griffin B. Bell  
Attorney General

THE WHITE HOUSE  
WASHINGTON

May 11, 1977

Tim Kraft  
Fran Voorde

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Hamilton Jordan  
Barry Jagoda  
Jim King

Re: National Endowment for  
Humanities - Charles Blitzer

THE WHITE HOUSE  
WASHINGTON

ACTION	FYI		
		MONDALE	ENROLLED BILL
		COSTANZA	AGENCY REPORT
		EIZENSTAT	CAB DECISION
	X	JORDAN	EXECUTIVE ORDER
		LIPSHUTZ	Comments due to
		MOORE	Carp/Huron within
		POWELL	48 hours; due to
		WATSON	Staff Secretary
			next day

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON	X	KRAFT
	BOURNE		LANCE
	BRZEZINSKI		LINDER
	BUTLER		MITCHELL
	CARP		POSTON
	H. CARTER		PRESS
	CLOUGH		B. RAINWATER
	FALLOWS		SCHLESINGER
	FIRST LADY		SCHNEIDERS
	GAMMILL		SCHULTZE
	HARDEN		SIEGEL
	HOYT		SMITH
	HUTCHESON		STRAUSS
X	JAGODA		WELLS
X	KING	X	VOORDE

THE WHITE HOUSE  
WASHINGTON

Mr. President:

Hamilton concurs with  
Barry's recommendation.

Rick (wds)

*pls send her to  
Timbercraft*

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 3, 1977

C

MEMORANDUM FOR THE PRESIDENT

FROM: BARRY JAGODA B.J.

SUBJECT: National Endowment for the Humanities

Your NEH selection committee has another unanimous recommendation for your consideration for appointment to the Chairmanship of the National Endowment for the Humanities. He is Charles Blitzer, currently Assistant Secretary for History and Art at the Smithsonian. (There is apparently no connection between Blitzer and the charges of misconduct now being leveled at the Secretary of the Smithsonian).

Your selection committee has seriously considered over 80 persons and recently completed another round of personal interviews, meeting as a group with five finalists. Blitzer came out at the top of the list and I personally agree that his appointment would be in line with all you have said you want in a person to fill this post. He would be acceptable to the academic community but has a commitment to a broadened public participation in the humanities and to making the Endowment more responsive to the needs and aspirations of ordinary citizens as well as to scholars.

Blitzer has told me that he would accept the job if it were offered to him by you. The principal Senator involved, Claiborne Pell, has agreed that Blitzer would be fully satisfactory to him. (I have not discussed this matter with John Brademas but will do so once you have made your decision.)

Recommendation:

That you call Dr. Charles Blitzer and ask him to serve as Chairman of the National Endowment for the Humanities.

# # # # # \_\_\_\_\_ approve Blitzer nomination

Comment: \_\_\_\_\_ disapprove

Let Blitzer see me 15 min. C-

Electrostatic Copy Made  
for Preservation Purposes

Charles Blitzer  
617 A Street, N. E.  
Washington, D. C. 20002

Born: New York City, August 10, 1927

#### EDUCATION

B. A., Williams College, 1947, with Highest Honors; Phi Beta Kappa  
M. A., Ph. D., Harvard University, Department of Government

#### POSITIONS

1950-1960 Instructor-Assistant Professor of Political Science,  
Yale University  
1955-1956 Rockefeller Foundation Fellow, Cambridge University  
1956 Huntington Library Fellow  
1960-1965 Executive Associate, American Council of Learned  
Societies  
1960-1961 Lecturer, New School for Social Research  
1963-1964 Visiting Professor, City University of New York  
1963-1965 Staff Director, National Commission on the Humanities  
(ACLS, Phi Beta Kappa, Council of Graduate Schools)  
1965-1968 Director of Education and Training, Smithsonian Institution  
1968 - Present Assistant Secretary for History and Art, Smithsonian Institution

#### OTHER ACTIVITIES

Alderman, 1st Ward of New Haven (1955-60)  
Board of Directors, Central Atlantic Regional Educational Laboratory (1966-68)  
National Advisory Council, Far West Laboratory for Educational Research  
and Development (1967-1969)  
Administrative Committee, Dumbarton Oaks, Harvard University (1968-75);  
Advisory Board (1975-Present)  
Chairman, Council for International Exchange of Scholars (1971-Present)  
Indo-U. S. Subcommittee on Education and Culture (1974-Present); Chairman,  
Joint Museum Committee (1975-Present)

PUBLICATIONS

The Age of Power with C. J. Friedrich (Cornell University Press)  
An Immortal Commonwealth (Yale University Press)  
The Commonwealth of England ed. (Putnam)  
The Age of Kings (Time-Life Books)



THE WHITE HOUSE  
WASHINGTON

Date: May 4, 1977

MEMORANDUM

FOR ACTION:

Hamilton Jordan *concur*

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: National Endowment for the Humanities.

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Friday

DATE: May 6, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

*Note: Any reason to make this before trip?*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE  
WASHINGTON

HAVE ANY REASON TO  
RUSH THIS - BEFORE THE  
TRIP?

ACTION	FYI
<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	GAMMILL
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HOYT
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input checked="" type="checkbox"/>	KING

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LANCE
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	B. RAINWATER
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	SCHULTZE
<input type="checkbox"/>	SIEGEL
<input type="checkbox"/>	SMITH
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	WELLS
<input type="checkbox"/>	VOORDE

THE WHITE HOUSE

WASHINGTON

May 3, 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

BARRY JAGODA B.J.

SUBJECT:

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Recommendation:

That you call Dr. Charles Blitzer and ask him to serve as Chairman of the National Endowment for the Humanities.

# # # # #

Comment:

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617 A Street, N. E.  
Washington, D. C. 20002

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Advisory Board (1975-Present)  
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Joint Museum Committee (1975-Present)

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An Immortal Commonwealth (Yale University Press)

The Commonwealth of England ed. (Putnam)

The Age of Kings (Time-Life Books)

THE WHITE HOUSE  
WASHINGTON

RICK:

Basically, Hamilton had told Barry he would not take it in today--he did not want to bother the President. But Barry insisted, and Hamilton felt he didn't care that much. Hamilton feels it all depends on how much the President has to do... understandably Barry is anxious, but you are best judge of how much President has to do before he goes.

Eleanor  
5/3

THE WHITE HOUSE  
WASHINGTON  
May 4, 1977

Hamilton Jordan

Any reason to rush this before the  
trip?

Rick Hutcheson

HJ.  
right book where  
it started!  
E.

Date: May 4, 1977

MEMORANDUM

FOR ACTION:

Hamilton Jordan

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: National Endowment for the Humanities.

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Friday

DATE: May 6, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☒ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)



THE WHITE HOUSE  
WASHINGTON

May 11, 1977

Bert Lance -

The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.

Rick Hutcheson

cc: Stu Eizenstat  
Z. Brzezinski  
Jim Schlesinger

Re: ERDA Funding for the Water  
Cooled Breeder Reactor  
Program

THE WHITE HOUSE  
WASHINGTON

Mr. President:

Eizenstat concurs with Lance's recommendation and emphasizes that the NSC has expressed concern that expenditures related to commercial application of this technology would send signals abroad which conflict with our proliferation objectives.

Schlesinger disagrees with Lance and thinks that it is sensible to maintain the funding for Rickover's breeder program as a possible alternative to meet future U.S. nuclear energy needs.

Watson has no comment.

Rick (wds)



THE PRESIDENT HAS SEEN.  
EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

cc Bert  
J.

MAY 2 - 1977

ACTION

MEMORANDUM FOR: THE PRESIDENT  
FROM: BERT LANCE *BL*  
SUBJECT: ERDA Funding for the Water Cooled Breeder  
Reactor Program

BACKGROUND:

In accordance with your March 24 directive, the Energy Research and Development Administration's (ERDA) Fiscal 1978 budget has been reviewed to assure consistency with the Administration's nuclear non-proliferation policies.

As you know, budget modifications in a number of programs were necessary to implement the new policies. Your advisors have agreed on funding levels for all ERDA programs with one exception--the Water Cooled Breeder Reactor program, directed by Admiral Rickover. This is one of many programs under the Admiral's direction but the only civilian nuclear power development program under his direction.

PROGRAM OBJECTIVES:

The objectives of the Water Cooled Breeder Reactor program are to: (1) confirm that breeding can be achieved in light water reactor (LWR) systems using thorium as the fertile material to breed fissile uranium-233; and (2) develop and disseminate information that will assist industry in applying the light water breeder reactor (LWBR) concept. Successful development of this technology would make many times more energy available with LWR's than from all known fossil energy reserves.

BUDGET LEVELS (\$ in millions):

	Current Budget		Recommended FY 1978 Change to Conform to Administration's Non-Proliferation Policy	
	FY 1977	FY 1978	OEPP	OMB
BA	48.8	41.6	--	- 8.0
B0	38.8	43.6	--	- 7.5

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for Preservation Purposes**

The majority of the funding to date for this program and \$29.3 million of the FY 1978 budget outlays are aimed at proving the breeding concept. The \$8 million at issue is intended to move the program into its next phase, the commercial application of the LWBR concept.

ERDA argues that the OMB recommendation would disrupt the orderly transition of scientific, engineering and technical personnel with LWBR experience to the commercial advanced water breeder applications (AWBA) effort. This would result in the loss of valuable experience and knowledge with an attendant higher overall cost and reduced effectiveness of the AWBA effort. ERDA further argues that the AWBA effort does not involve any commitment to commercial deployment nor a significant commitment by industry which could generate undue pressure for commercial deployment of the LWBR and, therefore, is not now a proliferation risk.

The Office of Energy Policy and Planning (OEPP) supports this view and argues that continuing to conduct research on this reactor technology is consistent with the President's decision to investigate all reactor fuel cycle alternatives to the light water reactor fuel cycle using recycled plutonium.

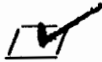
OMB argues that since the LWBR concept requires the use of highly enriched fuel and the development of a new fuel reprocessing technology, the current program poses significant proliferation risks and economic uncertainties. OMB agrees with the OEPP that research should continue on all reactor fuel cycle alternatives and recommends that the confirmation of breeding program should be continued because of the knowledge to be gained on thorium breeding and proposes to continue sufficient funding for this purpose. However, expansion of the program to include investigation of advanced commercial designs with the \$8 million at issue would be inconsistent with the Administration's decision not to develop technologies for commercial use that exacerbate the nuclear proliferation problem. Therefore, funding for the program should be reduced. The NSC and the CEQ support the OMB position.

Presidential decision:

Accept OMB recommendation to reduce program funding by \$8 M.



Accept OEPP recommendation and do not reduce funds for program.



J.C.

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

Date: May 2, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat *concur*

Jack Watson *no*

James Schlesinger *disagrees. - should be used as a possible alternative to meet future nuclear energy needs*

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Bert Lance memo 5/2/77 re ERDA for the Water Cooled Breeder Reactor Program.

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 5:00 P.M.

DAY: Wednesday

DATE: May 4, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE  
WASHINGTON

ACTION	FYI
--------	-----

	MONDALE
	COSTANZA
/	EIZENSTAT
	JORDAN
	LIPSHUTZ
	MOORE
	POWELL
/	WATSON

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to  
Carp/Huron within  
48 hours; due to  
Staff Secretary  
next day

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	IMMEDIATE TURNAROUND

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	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HOYT
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LANCE
	LINDER
	MITCHELL
	POSTON
	PRESS
	B. RAINWATER
/	SCHLESINGER
	SCHNEIDERS
	SCHULTZE
	SIEGEL
	SMITH
	STRAUSS
	WELLS
	VOORDE



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

MAY 2 - 1977

ACTION

MEMORANDUM FOR: THE PRESIDENT  
FROM: BERT LANCE *BL*  
SUBJECT: ERDA Funding for the Water Cooled Breeder  
Reactor Program

BACKGROUND:

In accordance with your March 24 directive, the Energy Research and Development Administration's (ERDA) Fiscal 1978 budget has been reviewed to assure consistency with the Administration's nuclear non-proliferation policies.

As you know, budget modifications in a number of programs were necessary to implement the new policies. Your advisors have agreed on funding levels for all ERDA programs with one exception--the Water Cooled Breeder Reactor program, directed by Admiral Rickover. This is one of many programs under the Admiral's direction but the only civilian nuclear power development program under his direction.

PROGRAM OBJECTIVES:

The objectives of the Water Cooled Breeder Reactor program are to: (1) confirm that breeding can be achieved in light water reactor (LWR) systems using thorium as the fertile material to breed fissile uranium-233; and (2) develop and disseminate information that will assist industry in applying the light water breeder reactor (LWBR) concept. Successful development of this technology would make many times more energy available with LWR's than from all known fossil energy reserves.

BUDGET LEVELS (\$ in millions):

	<u>Current Budget</u>		<u>Recommended FY 1978 Change to Conform to Administration's Non-Proliferation Policy</u>	
	<u>FY 1977</u>	<u>FY 1978</u>	<u>OEPP</u>	<u>OMB</u>
BA	48.8	41.6	--	- 8.0
B0	38.8	43.6	--	- 7.5

The majority of the funding to date for this program and \$29.3 million of the FY 1978 budget outlays are aimed at proving the breeding concept. The \$8 million at issue is intended to move the program into its next phase, the commercial application of the LWBR concept.

ERDA argues that the OMB recommendation would disrupt the orderly transition of scientific, engineering and technical personnel with LWBR experience to the commercial advanced water breeder applications (AWBA) effort. This would result in the loss of valuable experience and knowledge with an attendant higher overall cost and reduced effectiveness of the AWBA effort. ERDA further argues that the AWBA effort does not involve any commitment to commercial deployment nor a significant commitment by industry which could generate undue pressure for commercial deployment of the LWBR and, therefore, is not now a proliferation risk.

The Office of Energy Policy and Planning (OEPP) supports this view and argues that continuing to conduct research on this reactor technology is consistent with the President's decision to investigate all reactor fuel cycle alternatives to the light water reactor fuel cycle using recycled plutonium.

OMB argues that since the LWBR concept requires the use of highly enriched fuel and the development of a new fuel reprocessing technology, the current program poses significant proliferation risks and economic uncertainties. OMB agrees with the OEPP that research should continue on all reactor fuel cycle alternatives and recommends that the confirmation of breeding program should be continued because of the knowledge to be gained on thorium breeding and proposes to continue sufficient funding for this purpose. However, expansion of the program to include investigation of advanced commercial designs with the \$8 million at issue would be inconsistent with the Administration's decision not to develop technologies for commercial use that exacerbate the nuclear proliferation problem. Therefore, funding for the program should be reduced. The NSC and the CEQ support the OMB position.

Presidential decision:

Accept OMB recommendation to reduce  
program funding by \$8 M.



Accept OEPP recommendation and do  
not reduce funds for program.





THE WHITE HOUSE  
WASHINGTON

May 4, 1977

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT *Stu*

SUBJECT BERT LANCE MEMO OF 5/2/77 ON THE WATER COOLED  
BREEDER REACTOR RESEARCH PROGRAM

I concur with Bert Lance's recommendation that the additional \$8 million for commercial application of the light water breeder concept not be authorized in the FY 1978 budget. Inasmuch as this technology is still uncertain, and would require use of highly enriched uranium -- a fuel of concern equal to plutonium from a proliferation standpoint -- expenditures which imply commercial consideration of this technology are premature. I would emphasize that the NSC has expressed concern that expenditures related to commercial application of this technology would send signals abroad which conflict with our proliferation objectives.

Date: May 2, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat  
Jack Watson  
James Schlesinger ✓

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Bert Lance memo 5/2/77 re ERDA for the Water Cooled Breeder Reactor Program.

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 5:00 P.M.

DAY: Wednesday

DATE: May 4, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

*See* ☒ No comment.

Please note other comments below:

It is sensible to maintain the funding for Admiral Rickover's breeder program as a possible alternative to meet U.S. future nuclear energy needs.

43

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE  
WASHINGTON

May 11, 1977

Stu Eizenstat -

**The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.**

**Rick Hutcheson**

Re: Domestic Policy Staff Weekly  
Status Report

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 5, 1977

*Stu - I need to understand influence re veto, impairment, etc - to the bitter end - J*

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *SE*

SUBJECT:

Domestic Policy Staff Weekly Status Report

CIVIL RIGHTS AND JUSTICE

Undocumented Aliens: Task Force Report and staff comments have been submitted to you.

Equal Employment Reorganization: Continue meeting with Task Force.

Wiretapping: Draft legislation is being reviewed by White House staff and Hill staffs. I was not involved at any point.

Privacy: Justice position on HR 214 is still being discussed by Justice. We will have a memo to you as soon as we know their position.

Magistrates: Justice bill increasing the authority of U. S. magistrates in black lung and social security cases has been circulated by OMB. Justice is drafting changes after meeting with OMB and White House staff.

Drugs: DEA will submit three bills to OMB, one of which includes a controversial preventive detention measure. It is being reviewed first by Peter Bourne.

Handguns: Legislation drafted in Justice. Flaherty will review it.

LEAA Reorganization: Task Force made up of Justice and LEAA is meeting.

Drug Enforcement Administration-FBI: Justice is studying the possibility of combining DEA and the FBI for drug enforcement purposes.

Comprehensive Reform of Criminal Code: The Justice Department was involved in working out a compromise between Senators Kennedy and McClellan to which the Administration is substantially committed,

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de facto. The bill was introduced on May 2. To my knowledge, it was neither cleared by OMB or you, yet it appears to have the Administration's blessing. I was not involved at any point. new I

#### ENERGY AND NATURAL RESOURCES

Environmental Message: Delayed at your request until after Summit.

Energy Legislation: Legislation and plan submitted. Work continuing on refining cost estimates.

Water Projects: Strategy session held with OMB, Frank Moore, and the Vice President's staff. Memo with proposed statement to you yesterday.

Water Resources Reforms: Working with CEQ, OMB and agencies to follow through on Corps of Engineers redirected public works; dam safety, water conservation; new project criteria; cost-sharing for federal projects.

Tuna/Porpoise: Commerce, CEQ and OMB drafting legislation to resolve impasse; decision memo and bill to you next week. Fleet remains in port to protest Commerce regulations.

#### ECONOMICS AND BUSINESS

Trade Adjustment Assistance: We are working with Commerce, Labor and STR to meet your commitment in the shoe case to improve this program and recommend new legislation, if necessary.

Color TV Import Case: Strauss negotiating with the Japanese.

Arab Boycott: A compromise was announced yesterday by the ADL and the Business Roundtable. Based on this compromise, the Senate is expected to pass a bill this week.

Discussion with Prime Minister: A memorandum for your discussion with Prime Minister Callaghan on the U.S. economy to you yesterday.

#### TRANSPORTATION AND LABOR

International Aviation: Policy is being planned for Presidential review of international decisions to maximize competition and reduce fares.

Labor Law Reform: Analysis of proposed legislation by May 12.

Cargo Preference: Final options by May 12.

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COMMUNICATIONS

Public Broadcasting: Our recommendation on the Corporation for Public Broadcasting and Facilities Act reauthorizations will go to you in late May. Senate hearings slated for July and House hearings for September.

International Communications: The Office of Telecommunications Policy's legislation on the international maritime satellite will be ready for OMB clearance in mid-May. Congressional hearings are expected in mid-summer.

Equal Time: A legislative proposal has been circulated to the White House staff.

Bell Bill (to restrict competition in telephone industry): I will meet with CWA President Glenn Watts on Wednesday, May 11.

HOUSING AND URBAN AFFAIRS

Fanny Mae: Memo to you yesterday on increasing public representation on Board of Directors.

Consumer Cooperative Bank: Setting up interagency task force to review Administration position.

Urban Policy Task Force: Recommendation on urban economic development initiatives expected by late June. A general overview will be in to you in early June. Specific assignments to be made by May 9.

Financial Institutional and Housing Finance Reform: Package to be reviewed by EPG May 16.

New York City Financing: Continuing to develop long term options.

Neighborhood Commission: Working with HUD and Personnel on process for evaluating lists of candidates that are being submitted.

CONSUMER MATTERS

Standing and Class Actions: Justice and Esther Peterson are working with Hill and other agencies to develop proposals.

Package of Substantive Consumer Reforms: The task force, consisting of representatives from Justice, Commerce, FTC, Jack Watson's staff and Domestic Policy Staff, has met. A memo is being drafted on the consumer agenda in Congress.

REGULATORY REFORM PROJECTS

Regulatory Reform Agenda: Regulatory Working Group (Domestic Policy Staff, OMB, CEA and Jack Watson's staff) is drafting a decision memo for you. Target date is the third week of May.

Surface Transport Deregulation: Task force to study options for surface transport deregulation. A decision memorandum will be prepared for you by end of May.

S. 600 (Percy-Byrd-Ribicoff Sunset bill for Regulatory Programs) We are working on a plan to relate this bill to our regulatory reform priorities.

Economic Impact Analysis Procedure: EPG Subcommittee developing a proposed executive order. Informal group assessing EIA bills now in Congress.

INTEGRITY AND OPENNESS MATTERS

Conflict of Interest Legislative Package: Bill and message to Congress on May 3.

Legislative Veto Legislation: Task Force considering Administration response to pending bills.

Lobby Reform: Working with Justice to develop policy positions with respect to House bill. Memo to you by May 15.

Hatch Act Reform: Working with Civil Service Commission on amendments to House and Senate bills.

Executive Order on Logging: Memo prepared by Justice has been reviewed. Justice is drafting an executive order.

Classification Decisions: NSC has sent a memo to you on establishing a task force to be co-chaired by NSC and Domestic Policy Staff. A report and new executive order are due in September.

Freedom of Information Act Liberalization: Justice to draft an executive order. No target date yet.

REORGANIZATION MATTERS

Advisory Committees Review: Reports are coming in from the agencies and an overview is being prepared for you.

AGRICULTURE

Peanut Oil: A "hold" has been placed on further negotiations with India over sale of Commodity Credit Corporation peanut oil. Trade-off is between an estimated \$11 million budget savings as a result of drawing down CCC stock versus the risk of disrupting trade relations with several other nations.

HUMAN RESOURCES

Welfare Reform: We are working with OMB, Labor and HEW to resolve the differences on the cash assistance program. We will also be working with HEW on your letter to the Governors.

• Social Security Financing: We are preparing a message to Congress announcing your financing proposals. The Vice President will release the proposals at a press conference this Monday.

Paraplegia: As a follow-up to an inquiry by Governor Wallace we are working with one of the National Institutes of Health on how research efforts might be better coordinated. There is some indication that significant breakthroughs are possible in spinal cord regeneration without the expenditure of a large amount of money.

Aging: We are assisting Mrs. Carter in her preparation for her roundtable discussion on aging. The Civil Service Commission is preparing a memo on the effects of eliminating the mandatory retirement age for the federal government.

Energy in Schools: Commissioner of Education is examining legislative authority to determine where regulations can be modified in light of the energy message. We are working with him and action is expected within 90 days.

Comprehensive Educational Policy: Working with OMB and HEW to develop a comprehensive educational policy. Draft should be complete by August 1977.

Education Coalition Report to HEW: A coalition of educational organizations led by the Children's Defense Fund has sent a report to HEW highly critical of their school desegregation efforts. HEW is studying the report.

Initiatives for the Poor: A memorandum on Administration initiatives for the poor to you yesterday.



Adams v. Califano: A reply to the court concerning the NAACP suit to stop allocation of funds to states with dual systems of higher education is now being prepared by HEW. Draft will be ready for review week of May 9.

THE WHITE HOUSE  
WASHINGTON

May 11, 1977

Frank Moore -

**The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.**

**Rick Hutcheson**

Re: Weekly Legislative Report

THE WHITE HOUSE  
WASHINGTON

ACTION  
FYI

<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
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THE PRESIDENT HAS SEEN.

*To Frank*  
*J*

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

May 10, 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: FRANK MOORE  
SUBJECT: Weekly Legislative Report

1. ENERGY

-- You will have a separate energy legislative report.

2. FY 1978 APPROPRIATIONS

-- The House Appropriations Committee has completed eight of the thirteen annual subcommittee markups on FY 1978 appropriations bills. OMB reports that seven of the eight markups produced bills at a level either under the Administration's 1978 budget request or with relatively moderate increases to it. However, the Labor/HEW Appropriations Subcommittee added \$917 million (in BA) to the request. According to OMB, after technical adjustments for items not considered and uncontrollable programs, the true increase is about \$2.0 BILLION (in BA). (HEW reports the bill is about \$1.8 BILLION over the FY 1978 budget request.)

-- OMB reports that major add-ons include the following (dollar amounts are approximate):

- Impact aid (+\$400 million)
- Direct Student Loan Program (+\$300 million)
- Other higher education (+\$140 million)
- Elementary and secondary education (+\$100 million)
- National Institutes of Health (+\$166 million)
- Health resources (+\$210 million)
- Handicapped programs (+\$100 million)
- Human development/aging programs (+\$205 million)
- Vocational education (+\$50 million)
- Headstart (+\$100 million)
- Community Services Administration (+\$125 million)

-- This week, subcommittee markup of Defense Appropriations and Interior Appropriations is scheduled.

-- Some agency congressional liaison officers (HUD, Labor, Commerce, HEW) indicated at last Friday's White House meeting that a clear directive allowing them to follow closely the appropriations process would be helpful (some agency budget offices believe the appropriations process should be within their exclusive domain.) The Administration's program might be better served by having agency congressional liaison officers, with whom we have frequent contact, actively participate in the appropriations process along with departmental budget officers, with whom we have no contact and whose objectives may not always be consistent with the President's.

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*ok -*  
*but cooperate*  
*J*

### 3. ECONOMIC STIMULUS

-- Congressional action on the Public Works Jobs bill and the Economic Stimulus Appropriations bill is completed.

Countercyclical: Last week, the House Government Operations Committee adopted a 5 quarter countercyclical bill by a 23-19 vote (after rejecting a change in the formula by 21-21). By amendment to the tax bill, the Senate authorized countercyclical assistance for 6 quarters. Treasury reports that current strategy calls for the House to vote on the countercyclical bill Thursday, May 12, before taking up the conference report on the tax bill, also scheduled for Thursday. When the tax bill conference report is taken up, the House will then recede to the Senate on countercyclical with an amendment (the House bill), on which the Senate will then agree. However, Treasury reports that Rep. Aspin (D-Wis) intends to offer an amendment to the countercyclical bill which would change the funding formula from one based on unemployment to one based on tax effort. This amendment will jeopardize the strategy and Treasury believes it will be a close vote.

Taxes: Treasury reports that the conference report dropped the increase from 10 to 12 percent in the investment tax credit and limited to one year a \$30 million annual drilling credit to independent oil producers. A compromise reached on the jobs tax credit provides a \$2,100 credit per employee after allowing for a 2 percent "normal" growth rate, with a \$100,000 ceiling per employer.

-- In other action, the conferees: 1) agreed on a permanent standard deduction of \$2,200 for single persons and \$3,200 for married couples filing jointly; 2) dropped a Senate provision allowing "heads of households" to claim the same deduction as married couples; 3) continued for one year the 10 percent "earned income credit" paid to families with children and with salaries under \$4,000; 4) continued for one year existing 1975 corporate income tax cuts; 5) dropped a Senate provision granting a \$250 tax credit to persons caring for aged relatives in their home, but kept a Senate amendment allowing elderly taxpayers the option of claiming either the former retirement credit or the new elderly credit for the 1976 tax year; 6) agreed to a one-year delay in reducing deductions for sick pay and overseas income; and 7) agreed to continue for one year the "general" tax credit of \$35 per person or 2 percent of the first \$9,000 of taxable income.

CETA Extension: Labor reports that the Senate Subcommittee on Employment and Poverty reported a one-year CETA extension last week (the House has passed a simple one-year extension). The Senate bill also extends for one year a section providing that any new jobs created above the level of public service jobs existing on June 30, 1976 (total: 260,000) must be limited to projects employing the long-term unemployed, and half of all vacancies for pre-June 30, 1976 jobs must be filled by the long-term unemployed. According to Labor, the subcommittee bill also contains the requested waiver of the 20 percent limitation on funds for Titles III and IV and a veterans' provision (worked on by Senate and Labor staff) to require the establishment of local goals for the hiring of veterans (this is instead of the requested veterans preference which was rejected by the House and is unacceptable to the Senate). Labor reports that Sen. Cranston helped considerably with the veterans' provision. The full Senate Committee has scheduled markup for Tuesday, May 10 (along with the Youth Employment Bill).

#### 4. FOREIGN ECONOMIC ASSISTANCE

-- The House has scheduled floor action on the bill for next Wednesday. The bill authorizes \$1.7 BILLION for FY 1978 for international development and international disaster assistance. The bill also extends the human rights provisions in other foreign assistance programs to the Food for Peace program (PL 480). The provision prohibits the extension of agricultural commodity credit sales to countries engaged in a consistent pattern of gross violations of internationally recognized human rights. The bill also removes restrictions on PL 480 and other development assistance to countries which trade with Cuba and Vietnam.

-- AID reports the bill exceeds the Administration's request by \$152 million. Add-ons include a \$62 million program for India, \$5 million for the Sudan, \$14 million more for population planning programs, \$8 million to encourage non-nuclear sources of energy, \$20 million for additional assistance to the earthquake area of northern Italy, \$17.5 million for additional grants for the popular American Schools and Hospitals Abroad program, and \$25.75 million more for U.S. voluntary contributions to International Organizations (increasing the U.S. contribution to the U.N. Development Program from \$130 million to \$140 million and to the U.N. Children's Fund from \$20 million to \$25 million). Additional aid for Italy was authorized in the absence of an executive request, pending at OMB.

-- AID reports that possible floor amendments include prohibiting any type of assistance to Vietnam and allowing continuation of restrictions on aid to countries assisting or trading with Cuba or Vietnam.

-- While AID does not expect any major difficulty in passing the bill, it recommends that the President send a letter to the Speaker and Chairman Zablocki expressing support for the bill. *ok*

#### 5. CLEAN AIR

-- The Clean Air bill is tentatively scheduled for House floor action on May 23 or 24. A preliminary vote count (only about half of the House membership has been polled to date by Paul Roger's staff) shows 110 Members for the Dingell-UAW version, 76 Members for the Rogers-Administration version, 19 leaning to Dingell, and 18 leaning to Rogers. The leadership (O'Neill and Wright) have told White House staff they would not get between Dingell and Rogers on the issue. Votes to gain are in the South and among freshmen Members. UAW is pulling out the stops on this vote. *What should we do?*

#### 6. DEFENSE

FY 1978 Defense Authorization: The Defense Department reports that the Senate Armed Services Committee recommended a bill \$59 million below the overall budget request, but did some reshuffling, i.e. added \$923 million for ship procurement, reduced manpower accounts by \$191 million and deleted \$300 million in F-14 and UTTAS aircraft procurement. According to DOD, the committee also deferred some M-60 tank procurement resulting in a \$182 million reduction and requested a study on future aircraft carrier options. According to OMB, possible add-ons to the Administration's request include continued A-7 fighter plane production, purchase of 360 non-nuclear Lance missiles, and the construction of more Nimitz class carriers. The Defense Department does not anticipate any particular controversy when the bill goes to the Senate floor (possibly the week of May 16).

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*Let's don't lose on  
these -*

FY 1978 Military Construction Authorization: The Defense Department reports that in completing markup on this bill last week, the Senate Armed Services Committee added \$148.8 million to the Administration's budget request. According to DOD, the major programs accounting for \$122 million of the add-ons were certain environmental pollution control and energy conservation projects which had previously been deferred by OMB. Senate floor action is expected on May 16 or 17. The House Armed Services Committee is scheduled to markup the Military Construction Authorization bill this week.

#### 7. AGRICULTURE

-- Farm Bill: Last Wednesday, the Senate Agriculture Committee completed action on farm legislation without changing the price and income support rates, which, for wheat and feed grains, carry a \$3.9 BILLION annual price tag. However, the House Agriculture Committee is moving forward with a bill that is estimated to cost \$2.2 BILLION annually. Although the Agriculture Department had anticipated a successful effort to reduce the size of the Senate Committee's figures, the Committee leadership decided not to risk another vote but to, instead, compromise to the House figures in conference. Chairman Talmadge expects to have the bill reported by May 15, the deadline under the Budget Act, and the Senate Democratic Policy Committee believes it can be considered by the full Senate in late May. The House Committee expects to require all next week to complete action on the bill and may require a waiver under the Budget Act to report its bill one or two days after the deadline. *7/1/69 veto*

-- Food Stamps: The Senate Agriculture Committee also included a two-year extension of the food stamp program in the farm bill, but increased the cost by about \$254 million annually over the current services estimate, \$121 million over the Administration proposal. On a 11-6 vote, the Committee adopted the proposal to eliminate the purchase requirement. The Committee dropped the standard deduction to \$60 (from \$80) but added a separate deduction for variable shelter costs.

#### 8. MINIMUM WAGE

-- With Rep. Dent in the hospital for about two weeks, there has been no movement on this issue. White House staff is working on a preliminary House vote projection.

-- In votes in 1973 on minimum wage a coalition of Republicans and conservative Democrats was unable to block initial passage of an Administration-opposed bill. Nixon subsequently vetoed the bill with enough demonstrated Republican and conservative Democratic strength to block any veto override attempt. In March, 1974, the Nixon Administration accepted a compromise on the issue which then overwhelmingly passed the House. This year's common site picketing vote will be the best current guide on Members elected after the 1973/1974 votes -- generally, a Republican/conservative Democrat coalition also joined to defeat the bill by a 205-217 vote, but of the 88 Democrats who voted against the bill, about 42.5% were elected after the 1973/1974 votes. Minimum wage is likely to be a very sensitive issue for liberal-to-moderate Democrats.

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#### 9. FOREIGN RELATIONS AUTHORIZATION

-- The House passed the bill last week after adopting the Rep. Ashbrook (R-Ohio) amendment (by a 266-131 vote) stating that none of the funds in the Act shall be used for the purpose of negotiating reparations, aid, or any other form of payment to the Socialist Republic of Vietnam. The State Department was unable to delete the Ryan amendment affecting certain Foreign Service retirees, but will be working on the matter in the conference committee.

-- Last week the Senate Foreign Relations Committee's International Operations Subcommittee attached several policy initiatives to the bill. One of particular concern (the Percy amendment) orders the President to draw up a reorganization plan for the U.S.I.A. and State Department by September 30 which meets several organizational criteria. The most controversial criteria are the establishment of an independent Voice of America and the creation of a single autonomous agency to control cultural affairs. State Department and White House congressional liaison staff have been working to delete the Percy amendment, as well as several others, from the bill in full committee markup this week.

#### 10. CONSUMER PROTECTION AGENCY

-- The bill ran into problems in the House Government Operations Committee. The Vice President, Esther Peterson, and White House staff worked to persuade members of the committee to support the measure. They were successful on a 22-21 vote this afternoon.



FLOOR ACTIVITIES FOR WEEK OF MAY 9

House

Monday -- 4 Bills Considered Under Suspension of Rules as follows:

- 1) H.R. 5562, Eleanor Roosevelt Memorial. To be managed by Rep. Phil Burton, Chairman, Interior National Parks & Insular Affairs Subcommittee.

Bill Summary: The bill authorizes the Secretary of the Interior to establish 175 acres, including the Val-Kill, N.Y., estate, as the Eleanor Roosevelt National Historical Site. The measure authorizes up to \$575,000 to purchase the acreage and make needed improvements. An initial authorization of \$420,000 allows the National Park Service to carry out any necessary minimum development until the Secretary completes the general management plan. The Interior Department supports the bill.

- 2) H.R. 6692, Extension for Education of the Handicapped. To be managed by Rep. Brademas, Chairman, Select Education Subcommittee (Education and Labor).

Bill Summary: The bill extends certain programs under the Education of the Handicapped Act for five additional years (through September 30, 1982). The bill authorizes a total of \$1.1 BILLION for these programs over the next five fiscal years. HEW supports the bill. According to OMB, the Administration would favor the bill if amended to provide for only a one-year extension and if the authorizations provided for FY 1978 are conformed to the President's budget request for these programs.

- 3) H.R. 6668, Age Discrimination Act Amendments. To be managed by Rep. Brademas, Chairman Select Education Subcommittee (Education & Labor).

Bill Summary: The bill makes three amendments to existing law: 1) extends for six months the date upon which the U.S. Commission on Civil Rights is required to file its report on age discrimination; 2) gives the Civil Rights Commission 90 days following transmittal of its report to provide information and technical assistance to HEW, which is responsible for implementing the study; and 3) extends the commodities provision of the Older Americans Act for one additional year. HEW supports the bill. According to OMB, the Administration has no objection to the bill.

- 4) H.R. 6774, Education Act Technical Amendments. To be managed by Rep. Bill Ford (Mich), Chairman, Postsecondary Education Subcommittee (Education & Labor).

Bill Summary: The bill makes numerous technical and miscellaneous amendments to provisions of the Education Amendments of 1976 that relate to higher education. HEW supports the bill.

-- H.Res. 334, Special Counsel in AT&T Case. This is the same bill that was originally scheduled for floor consideration last week. It permits the Chairman of the Commerce Oversight & Investigations Subcommittee (Rep. John Moss) to continue to intervene in the still-pending case of the U.S. v. AT&T.

FLOOR ACTIVITIES (Cont'd)

- Four Resolutions Dismissing Contested Elections. These were originally scheduled for floor consideration last week.

Tuesday - 3 Bills Considered Under Suspension of Rules as follows:

- 1) H.R. 2817, Tinicum National Environmental Center. To be managed by Rep. Bob Leggett, Chairman, Fisheries & Wildlife Conservation & Environment Subcommittee (Merchant Marine & Fisheries).

Bill Summary: The bill increases the authorization for the Tinicum National Environmental Center (tidal marshland in southwestern Pennsylvania) from \$3.85 million to \$11.1 million. The current authorized level is estimated to be insufficient to purchase acreage and to construct educational facilities, bridges and trails, and for land rehabilitation. The Interior Department supports the bill.

- 2) H.R. 6205, Atlantic Tuna Convention Act Authorization. To be managed by Rep. Leggett.

Bill Summary: The bill authorizes \$700,000 annually for FY 1978 through FY 1980 for the U.S. contribution to the International Commission for the Conservation of Atlantic Tunas. Both the State and Commerce Departments support the bill.

- 3) H.R. 6206, Fisheries Research and Development Act Authorization. To be managed by Rep. Leggett.

Bill Summary: The bill reauthorizes the programs of the Commercial Fisheries Development Act at a level of \$13.5 million for each fiscal year 1978 through 1980. The Act provides federal-state cooperation for the establishment of research laboratories and fish culture facilities to develop information on new management techniques for commercial fisheries (present authority for these programs expires September 30, 1978).

- H.R. 6655, Housing and Community Development Act of 1977. To be managed by Rep. Ashley, Chairman Housing Subcommittee (Banking, Finance & Urban Affairs). The House heard general debate on the bill last Friday. Votes on amendments and final passage are scheduled for Tuesday.

Bill Summary: The bill reauthorizes the Community Development grant programs for three years and housing assistance programs for one year. The bill also extends HUD's Flood Insurance Program for one year, makes several changes in laws governing federal savings and loan institutions, and reauthorizes the rural housing programs of the Farmers' Home Administration. HUD, and the Democratic Steering and Policy Committee strongly support the bill. HUD intends to support Rep. Ashley's efforts to resist numerous expected amendments on the House floor. According to OMB, the Administration does not object to most of the bill's provisions, but does oppose 1) earmarks that would reduce the Secretary's flexibility; 2) appropriation authorizations in excess of the President's budget; 3) amendments which would extend Federal guarantees for local borrowing secured only by anticipated, future block grant receipts and

FLOOR ACTIVITIES (Cont'd)

would jeopardize budget controllability in the future; and 4) extension of unnecessary programs, including emergency home purchase authority and mortgage insurance. According to OMB, the Administration strongly opposes the extension of assistance payments to include operating and maintenance expenses since this could have serious out-year budget implications. *oppose*

Wednesday -- H.R. 6714, Foreign Economic Assistance. To be managed by Chairman Zablocki.

Thursday -- H.R. 6810, Countercyclical Assistance Extension. To be managed by  
& Friday Chairman Brooks.

-- H.R. 3477, Conference Report on Tax Reduction Act. To be managed by Chairman Ullman.

-- H.R. 5959, Renegotiation Act of 1977. To be managed by Rep. Minish, Chairman, General Oversight & Renegotiation Subcommittee (Banking, Finance, & Urban Affairs).

Bill Summary: The bill extends the power of the Renegotiation Board from September 30, 1976, to December 31, 1982, restructures the Board to make the Chairman the chief executive officer, and provides that Board members be appointed for five-year terms, with no more than three of the Board members from the same political party. The bill also makes a number of changes in the Renegotiation Act of 1951. According to OMB, the Administration supports the bill but recommends two minor modifications to give the Board greater flexibility in connection with: 1) the audit of contractor's financial statements, and 2) renegotiation by division and product line. Numerous amendments are expected. The Aerospace Industries of America, Shipbuilders Council of America, and the Machinery and Allied Products Institute oppose the measure.

Senate


-- The Senate will take up S. Res. 5, proposed amendments of the Senate rules designed to expedite the transaction of Senate business. This measure will probably take the full week; if not, the Senate leadership will probably call up the Omnibus District Judgeship bill.

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OFFICE OF THE VICE PRESIDENT  
WASHINGTON

May 11, 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: THE VICE PRESIDENT   
RE: DISTRICT OF COLUMBIA TASK FORCE

On Tuesday morning I chaired the first meeting of the District of Columbia Task Force. We discussed the broad objectives of the group, as well as the procedures and agenda for future sessions.

Objectives. We agreed that the purpose of the task force was not to force a consensus on each issue, but rather to identify and provide you with the benefit of their points of view when the key questions are brought before you for decision. It was noted that your decision to create such a task force represented an unprecedented level of interest by a new administration in matters of concern to the nation's capital.

Procedures. We decided to rotate the working sessions, chaired by Bunny Mitchell, among the District Building, the House and Senate, and the Executive Office Building. Staff will prepare issue papers in advance of each session. Those within District Government with special expertise on the various issues will be invited to join the appropriate sessions.

Agenda. The task force agreed to divide the agenda into short and long term issues. On a few immediate matters we would hope to complete discussion and submit a decision paper to you in early June. Task Force consideration of the remaining near term matters would be completed by mid-July. Discussion of the long term questions would be geared toward a November goal. These are, of course, targets, and the pace can be adjusted if necessary. (Attached is a copy of the agenda).

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Memorandum to the President  
May 11, 1977  
Page Two

You are doubtless aware that some issues, such as increasing the federal payment to the City and general financial matters including new sources of revenue will be controversial and involve difficult political decisions. We are hopeful, however, that the Task Force discussions can narrow the differences on these issues, so that whatever action you choose to take will meet with a minimum of disagreement from the City and/or Congress.

PROPOSED D.C. TASK FORCE AGENDA AND MEETING

SCHEDULE

(Short-Term Issues)

1. May 17 - St. Elizabeth's Hospital; pension funding; RFK Stadium; bonding authority; water and sewer payments (8:00 a.m., Mayor's Conference Room, District Building).
2. June 1 - Presidential review of Mayoral vetoes; Congressional time frame for reviewing local legislation; Use of resolutions; Selection of local judges and financial support of Judicial Nomination and Tenure Commissions; Federal Enclave. (8:00 a.m., Vice President's Conference Room, Room 263 Old Executive Office Building).
3. June 14 - Voting representation (8:00 a.m., Senate Appropriations Committee, Room S. 146, Capitol Hill).
4. June 28 - Near term aspects of Federal payments (FY '79) (8:00 a.m., City Council Conference Room, District Building).
5. July 12 - Role of U.S. Attorney and Corporation Counsel (8:00 a.m., Vice President's Conference Room, Room 263, Old Executive Office Building).

(Long-Term Issues)

(August-November)

1. Review Federal payment procedure to determine if changes are needed.
2. Alternate sources of revenue
3. The budget process and market access
4. Planning and land use
5. Assessment of agency actions which impact on the District as well as methods for coordinating Federal activity in the District
6. Other questions of concern to the Task Force

THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

C  
/

May 11, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CS*

SUBJECT: An Update on the Economic Situation

The attached memo provides a summary and update on the state of the economy.

Attachment

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for Preservation Purposes**

X

## Recent Growth

Economic growth in the first four months of 1977 has accelerated sharply from the pause of mid-1976.

- . Retail sales rose at a 15 percent annual rate from the fourth quarter to the first (about 9 percent corrected for inflation); auto sales were at an annual rate of 11.3 million units in the first quarter and 11.7 million units in April.
- . Despite bad weather in January, housing starts averaged 1,775,000 units in the first quarter; they were 2.1 million in April, although this level probably won't be sustained.
- . Employment grew by an extraordinary 1.6 million people from December to April; the unemployment rate fell from 7.8 to 7.0 percent over the same period.
- . Capital goods orders have risen at a 20 percent annual rate over the past two quarters (not adjusted for inflation); commercial and industrial construction contracts, which have been very weak for three years, spurted strongly in March; one month's data are not conclusive, but the rise was widely spread among different kinds of business.

There are a few cautions:

- . April retail sales did not rise from March; (but this was due to a decline in automobile sales which still continue strong; all other sales rose by 1 percent).
- . The Conference Board survey of consumer confidence, to be released Thursday, shows a drop; its evidence is mixed, however -- consumers are still confident about current conditions, and about their own income prospects, but are more worried about general business conditions in the future.

## Inflation

Since December the wholesale price index (WPI) has risen at an 11.3 percent annual rate; industrial prices have advanced at a 7.9 percent rate. Consumer prices rose at a 10 percent annual rate through March. The recent large increases in wholesale prices of food products are likely to result in bad news in the consumer price index in April and May.



- . Outside of farm, food and fuel prices, however, the WPI has risen at a more modest 6.4 percent rate, exactly the same as in the last half of 1976;
- . There is no real sign yet that wage gains have begun to accelerate;
- . But, we have to worry that some part of the recent increases in food and energy prices will ultimately get reflected in higher wage gains; there is a growing possibility of some acceleration in the underlying rate of inflation.

#### Financial Conditions

Interest rates have begun to move up recently, particularly on short-term securities, largely as a consequence of some tightening by the Federal Reserve. Growth rates of the principal monetary aggregates in April were well above the Federal Reserve's targets. Since this occurred in the context of a strongly improving economy and some deterioration in the price outlook, the Federal Reserve took steps to reduce the availability of bank reserves. The market response to this has been relatively moderate so far, but short-term interest rates have risen -- Treasury bill rates, from 4.5 to 4.8 percent from late April to mid-May.

#### Outlook

The ratio of inventories to sales was relatively low at the start of 1977, and the rate has apparently been pulled down further this year. Strong inventory accumulation is likely in the months ahead.

The strong pace of housing starts in the first quarter assures a high growth of housing construction in the second quarter. The rental housing vacancy rate has declined to a low level. Housing starts will continue strong, and our projections assume that they climb to 2.0 million units by year-end.

Both Federal and State and local purchases of goods and services declined in real terms last quarter. As the pace of Federal spending catches up with budget expenditure targets, the two sectors combined will be expanding the real value of their purchases at a better than 5 percent annual rate during the second half.

Investment planning surveys have been moving up, as have orders for equipment and contracts for industrial and commercial construction.

We can probably expect to see some rise in the consumer saving rate from the very low level of the first quarter. But the large increase in employment and personal income should help sustain consumer purchases, even with higher saving rates.

In summary:

- o At the moment we would expect the growth of real GNP to equal or exceed a 6-1/2 percent annual rate in the second quarter and industrial production to rise perhaps 10 percent at an annual rate, about double the first quarter rise.
- o A reduction in the pace of expansion to between 5 and 6 percent in the second half of the year.
- o Growth from fourth quarter 1976 to fourth quarter 1977 of between 5-3/4 to 6 percent, thus meeting our 1977 growth targets.

Prospects for achieving the 5 to 5-1/2 percent targets for 1978 have improved, but we are a long way from certain. The principal threats are:

- o A full return of consumer spending habits to their cautious level of recent years, partly in response to unfavorable price developments.
- o Rising interest rates that could slow down the housing market in 1978.
- o A failure of the current strength in investment spending to continue into 1978.

(I hope, shortly, to have more for you on the price and interest rate outlook.)

THE WHITE HOUSE  
WASHINGTON

May 11, 1977

Jim Fallows -

**The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.**

**Rick Hutcheson**

Re: Notre Dame Speech

THE PRESIDENT HAS SEEN.

*To Follows  
J*

THE WHITE HOUSE  
WASHINGTON

May 10, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Press *JP*

Father Ted Hesburgh has agreed to lead the U.S. delegation to the 1979 United Nations Conference on Science and Technology for Development. The appointment was proposed by Deputy Secretary of State Warren Christopher on May 9.

You may wish to use the opportunity of your address at Notre Dame's commencement to announce Father Hesburgh's appointment, as well as to emphasize the importance your Administration places on using U.S. science and technology for the benefit of the developing world in such areas as health, nutrition, water supply, natural resource development, and manpower education and training.

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THE WHITE HOUSE  
WASHINGTON

*[Handwritten signature/initials]*

Date: May 3, 1977

MEMORANDUM

FOR ACTION:

Zbigniew Brzezinski - generally concur, but don't think it's best use  
of his name & influence. Once oppor  
tunity is better for Hatcher in future

Jim Fallows

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Frank Press memo 5/3 re The 1979 UN Conference.

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 4:00 P.M.

DAY: Thursday

DATE: May 5, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE  
WASHINGTON

1979 UN  
Conference

ACTION  
FYI

MONDALE  
COSTANZA  
EIZENSTAT  
JORDAN  
LIPSHUTZ  
MOORE  
POWELL  
WATSON

ENROLLED BILL  
AGENCY REPORT  
CAB DECISION  
EXECUTIVE ORDER  
Comments due to  
Carp/Huron within  
48 hours; due to  
Staff Secretary  
next day

☒ FOR STAFFING  
☐ FOR INFORMATION  
☐ FROM PRESIDENT'S OUTBOX  
☐ LOG IN/TO PRESIDENT TODAY  
☐ IMMEDIATE TURNAROUND

☐ ARAGON  
☐ BOURNE  
☒ BRZEZINSKI  
☐ BUTLER  
☐ CARP  
☐ H. CARTER  
☐ CLOUGH  
☒ FALLOWS  
☐ FIRST LADY  
☐ GAMMILL  
☐ HARDEN  
☐ HOYT  
☐ HUTCHESON  
☐ JAGODA  
☐ KING

☐ KRAFT  
☐ LANCE  
☐ LINDER  
☐ MITCHELL  
☐ POSTON  
☐ PRESS  
☐ B. RAINWATER  
☐ SCHLESINGER  
☐ SCHNEIDERS  
☐ SCHULTZE  
☐ SIEGEL  
☐ SMITH  
☐ STRAUSS  
☐ WELLS  
☐ VOORDE

THE WHITE HOUSE

WASHINGTON

May 3, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Press *FP*

The 1979 UN Conference on the use of science and technology to help developing nations provides an opportunity for the US to introduce new concepts in the relationship between North-South nations. I wrote to you on April 14, about this matter, proposing that a national figure like Father Ted Hesburgh lead the US delegation with rank of Ambassador.

Cy Vance agrees that Hesburgh would be outstanding for this job.

Father Ted understands the interplay of technology in human affairs. He served on the National Science Board for 12 years and has been actively involved with problems of the developing countries. He would make an excellent leader of the delegation, and since this is a part time job, he might be convinced to take it on.

You may wish to use this as a theme of your commencement address at Notre Dame.

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF SCIENCE AND TECHNOLOGY POLICY  
WASHINGTON, D.C. 20500

May 10, 1977

NOTE TO: Rick Hutcheson

FROM: Frank Press

You may wish to append this to my memo  
of May 3 to the President on this same  
subject.

*file  
superseded  
by May 10  
memo*



THE WHITE HOUSE

WASHINGTON

May 3, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Press *FP*

The 1979 UN Conference on the use of science and technology to help developing nations provides an opportunity for the US to introduce new concepts in the relationship between North-South nations. I wrote to you on April 14, about this matter, proposing that a national figure like Father Ted Hesburgh lead the US delegation with rank of Ambassador.

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MEMORANDUM

## NATIONAL SECURITY COUNCIL

May 5, 1977

MEMORANDUM FOR: RICK HUTCHESON  
FROM: MICHAEL HORNBLOW *MH*  
SUBJECT: Frank Press Memo 5/3 Regarding  
The 1979 UN Conference

We generally concur but would like to point out that Father Hesburgh is a very busy man and he might not be available for more than one major Administration assignment. We are not sure that this is the best way to use Father Hesburgh's talents and influence and believe that other opportunities might arise in the next 3 1/2 years in which his talents could be used to greater advantage.

THE WHITE HOUSE  
WASHINGTON

May 11, 1977

Bert Lance -

**The attached was returned in  
the President's outbox. It is  
forwarded to you for appropriate  
handling.**

**Rick Hutcheson**

Re: Admiral Rickover's  
Recommendation to Reduce  
Flag/General Officers

cc: Z. Brzezinski



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

*Bert - as  
Be strict -  
possible -*

THE PRESIDENT HAS SEEN.

MAY 2 - 1977

MEMORANDUM FOR: THE PRESIDENT  
FROM: Bert Lance *BRL -*  
SUBJECT: Admiral Rickover's Recommendation to Reduce  
Flag/General Officers

You asked us to assess Admiral Rickover's points in his April 4, 1977, testimony before the Senate Armed Services Committee where he recommended reducing the number of flag and general officers in the military services and decreasing military personnel requirements.

Admiral Rickover's essential point is that we can achieve significant savings in both military and civilian costs if we unify or close military installations, eliminate much of the duplication of effort within the services, and create military organizations based on military need rather than on tradition and non-defense considerations. We concur with this view and plan to explore with you many of the points raised as well as others during the Spring Review.

Our comments on a summation of Admiral Rickover's specific points follow:

1. Realign the number of flag and general officers (including 3 and 4 star billets) so they are in direct proportion to overall service strengths.

Flag and general officer authorizations should bear some relationship to the size of the military service. However, inasmuch as service missions differ, the proportion of officers to overall strengths should probably also differ.

2. Reduce the overall flag/general officers 10% per year for the next five years. The services should be required to identify the actual billets which will be eliminated. Reduce the number of flag/general officer billets in the Washington area by at least 40% of their current levels.

Whether it is reasonable to reduce billets by 10% per year or by 40% in the Washington area should be determined by further study. Admiral Rickover's belief that the number of billets can be reduced is supported

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to some extent by the fact that each year for the past several years the Department of Defense has reduced its general and flag officer billets. And, on March 11, 1977, Deputy Secretary Duncan ordered the military services to again assess the impact of reducing billets from the FY 1978 budget level by 3-5 percent per year for the next five years. We understand he has asked for a report from the services by July 1977. We further understand he has asked Senator Nunn, who apparently supports Admiral Rickover, to take no legislative action until he has these reports in hand. The Department of Defense has, in the past few years, examined the numbers and assignments of general/flag officers with the view of especially reducing the number outside the services, including those assigned to the Office of the Secretary of Defense and to other Executive Departments. Some of these assignments reflect political considerations both from the standpoint of protocol and the Department's interest in promoting or protecting areas where they believe they should have an interest.

3. There should be no open-ended loopholes in the law which would allow by-passing the required reduction. Exceptions for wartime or times of national emergency should also have the approval of Congress.

Any deviation from mandated reductions must of necessity be highly controlled. However, the President, as Commander-in-Chief, may not wish to relinquish total control in this area to the Congress.

4. In order to reduce flag/general officer requirements and overall savings in manpower require that certain shore establishments, particularly within the U.S., be unified. For example, why is it necessary to have Naval and Army hospitals in the same city? Why can't all military air fields be "military" rather than Navy or Air Force. A number of training commands could be combined. Why do we need Naval District Commandants? Why can't officers and enlisted men from any of the services carry out many similar duties at shore stations?

We agree with Admiral Rickover. We also would seek economies in the military training establishment through more consolidation of service training commands and in military training and education. Consolidating service hospitals in the same general area in many instances is both feasible and desirable from a management standpoint but will be strongly opposed by the military services and the military retired community.

5. In connection with reducing the number of flag/general officers, it is important to force the entire officer grade structure to be reduced at the same time. In order to return to a reasonable grade/age relationship, it is important for Congress to reinstate the requirement contained in the Officer Personnel Act of 1947.

No significant savings in military manpower cost will be realized unless reductions in general/flag officer authorizations are associated with a reduction in total officer strength. During the past five years, officer strength as a percentage of the total force has decreased. During the period FY 1973-FY 1978, the size of the officer force will have decreased approximately 14 percent as compared to a total active duty military strength reduction of about 7 percent. General officer strengths were reduced during this period by 12 percent.

The Officer Personnel Act, with its "up or out" promotion system, was based on the assumption that the Armed Forces would be returned to a small all-Regular force within ten years. The law imposed statutory ceilings on the number of Regular officers in each service. This limitation was largely circumvented by use of Reserve officers. Today over one-third of the officer force is composed of Reserve officers. In 1954 Congress became concerned with the increasing number of senior officers, both Regular and Reserve, and enacted the Officer Grade Limitation Act of 1954 which established finite limitations based on all officers.

It is more appropriate to address officer grade levels through a review of the Defense Officer Personnel Management Act (DOPMA) which is a major part of the Department of Defense's legislative program for FY 1978. However, neither DOPMA, the Officer Personnel Act of 1947, nor the Officer Grade Limitation Act of 1954 address the more important question of what are the quantitative requirements for military officers. An analysis of DOPMA will be forwarded to you shortly.

In conclusion, I would note that in our Spring Review we are not specifically addressing the question of the number of flag/general officers. We are, however, raising issues on military training, health services, and domestic installations, which should get at many of the concerns expressed by Admiral Rickover. In addition, the pending reports from the Services to Deputy Secretary Duncan on reductions of flag/general officer billets by 3-5 percent should provide useful inputs to consideration of these questions.

THE WHITE HOUSE  
WASHINGTON

*to be  
for 5/2*

5/2/77

TO: *Rick Hatchman*

For Your Information: \_\_\_\_\_

For Appropriate Handling: *✓*

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*RDL*  
Robert D. Linder

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

MAY 2 - 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance (SIGNED) B. LANCE

SUBJECT: Admiral Rickover's Recommendation to Reduce  
Flag/General Officers

You asked us to assess Admiral Rickover's points in his April 4, 1977, testimony before the Senate Armed Services Committee where he recommended reducing the number of flag and general officers in the military services and decreasing military personnel requirements.

Admiral Rickover's essential point is that we can achieve significant savings in both military and civilian costs if we unify or close military installations, eliminate much of the duplication of effort within the services, and create military organizations based on military need rather than on tradition and non-defense considerations. We concur with this view and plan to explore with you many of the points raised as well as others during the Spring Review.

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5/11/77

THE WHITE HOUSE  
WASHINGTON

May 9, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ *BL*  
STU EIZENSTAT *SE*

RE: CAB Decisions Re  
(1) Business Air Service Ltd.,  
(2) Transmeridian Air Cargo Ltd.,  
(3) Suntours Ltd.

These three CAB orders (1) authorize Business Air Services to engage in a charter operation between this country and Canada, (2) renew and amend Transmeridian's authorization for charter service between this country and the United Kingdom, and also grant Transmeridian limited "fifth freedom" authority (traffic originating in the U.S. which passes through the U.K. but whose ultimate destination is elsewhere), and (3) authorize Suntours to organize various passenger tours from any point in this country to any point outside the U.S. *ok ok ok*

No interested agencies object to the proposed orders. OMB recommends approval.

We recommend that you approve all three proposed decisions by checking below; all necessary signatures can then be made with autopen.

☒ Approve ☐ Disapprove

*J.C.*

*Original to Bob Linder*

THE PRESIDENT HAS BEEN.

THE WHITE HOUSE  
WASHINGTON

MAY 11, 1977

MR. PRESIDENT:

THURMAN BOYKIN OF THE WASHINGTON  
OFFICE OF THE STATE OF MISSISSIPPI  
CALLED TO LET YOU KNOW THAT  
MAYOR RUSSELL DAVIS OF JACKSON  
WAS DEFEATED LAST NIGHT IN HIS  
RE-ELECTION BID.

TK  
Too bad  
J

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THE WHITE HOUSE  
WASHINGTON

May 11, 1977

Stu Eizenstat  
Jack Watson  
Bert Lance  
Charlie Schultze  
Bob Linder

The attached was returned in the President's  
outbox and is forwarded to you for your  
information.

Rick Hutcheson

Re: Social Security Benefits

*cc Central Files*

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson  
Jane Frank *Jane*

RE: Social Security Cost-Of-  
Living Increase

We are transmitting the attached from Joe Califano on his planned publication as required by law of a 5.9% cost-of-living increase in benefits under titles II and XVI of the Social Security Act.

Charlie Schultze has no comments.

May 10, 1977  
Attachment



THE PRESIDENT HAS SEEN.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

1977 MAY 6 5 PM 1977

MEMORANDUM FOR THE PRESIDENT

This is to inform you that on or before May 15, 1977, I am required by law to have published in the Federal Register a notice of the determination that a cost-of-living increase of 5.9 percent in benefits has been made under titles II and XVI of the Social Security Act. The notice also contains the income limitations for supplemental security income beneficiaries.

These requirements stem from the automatic benefit increase provisions of the Social Security Act. Both social security benefits and supplemental security income payment levels increase automatically when the Consumer Price Index rises by three percent or more over specified measuring periods. A comparison of the average monthly Consumer Price Index in the first quarter of 1976 to that of the first quarter of 1977, which is the measuring period for the 1977 benefit increase, shows a 5.9 percent increase in the Consumer Price Index. This increase in turn requires an automatic 5.9 percent increase in social security benefits and supplemental security income payment levels.

The increase in social security benefits will take effect for the month of June and will be reflected in the checks received by the 33.4 million beneficiaries on July 1. The cost of the increase to the program in fiscal year 1978 is estimated to be \$5.3 billion. The supplemental security income increase takes effect in July and is payable to the 4.3 million recipients beginning with the July 1st check. The cost of the increase to the program in fiscal year 1978 is estimated to be \$265 million, payable from the general funds of the Treasury.

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Since automatic cost-of-living benefit increases were anticipated, most of the additional cost has already been reflected in the planning of the Federal budget. However, the increase of 5.9 percent for June 1977 is higher than the 4.9 percent increase assumed in the Revised 1978 Budget submitted to Congress and slightly higher than the 5.8 percent increase assumed in recent budget planning. Thus, the additional cost in fiscal year 1978 is \$0.9 billion more than the amount included in the Revised Budget and \$0.1 billion more than the amount included in recent budget planning.

A table is attached showing the effect of the 5.9 percent increase on benefit payments.

  
Joseph A. Califano, Jr.

Attachment



EXAMPLES OF MONTHLY PAYMENT

<u>Benefit Category</u>	<u>Current Payment</u>	<u>5.9 Percent Increase</u>
I. <u>Maximum and minimum social security benefits</u>		
Maximum benefit, female worker retiring in 1977 at age 65*	\$422.40	\$447.40
Maximum benefit, male worker retiring in 1977 at age 65	\$412.70	\$437.10
Minimum benefit, worker retiring in 1977 at age 65	\$107.90	\$114.30
II. <u>Average social security benefits</u>		
Retired worker alone	\$221	\$234
Aged couple, both receiving benefits	\$377	\$400
Mother and two children	\$517	\$547
Aged widow	\$210	\$223
Disabled worker, wife, and children	\$488	\$517
All disabled workers	\$248	\$262
III. <u>Maximum Federal SSI payments**</u>		
Individual	\$167.80	\$177.80
Couple	\$251.80	\$266.70

\* Difference in maximum benefit amount payable to men and women will end with workers who reach age 65 in 1978 or later.

\*\* Most States provide payments supplementing the Federal SSI payment levels for some or all categories of recipients. Under a recent amendment to the law, those States must continue to pay generally the same supplements on top of the increased Federal SSI payment levels.

THE WHITE HOUSE  
WASHINGTON

May 11, 1977

Stu Eizenstat -

The attached was returned in the  
President's outbox and is forwarded  
to you for your information.

Rick Hutcheson

Re: Status Report on Undocumented  
Aliens Task Force

*See May 4  
op. ext. file*